

RIDGELAND NURSING CENTER, INC.

RIDGELAND, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-RDL-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 15, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Ridgeland Nursing Center, Inc., for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Ridgeland Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Ridgeland Nursing Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 15, 1999

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1998, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

RIDGELAND NURSING CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-RDL-J7

	<u>10/01/98- 11/30/98</u>	<u>Beginning 12/01/98</u>
Interim reimbursement rate (1)	\$73.26	\$74.01
Adjusted reimbursement rate	<u>72.87</u>	<u>73.62</u>
Decrease in reimbursement rate	\$ <u>.39</u>	\$ <u>.39</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

RIDGELAND NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-RDL-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.17	\$43.39	
Dietary		8.02	9.93	
Laundry/Housekeeping/Maint.		<u>7.34</u>	<u>8.11</u>	
Subtotal	\$ <u>4.30</u>	48.53	61.43	\$48.53
Administration & Med. Rec.	<u>4.10</u>	<u>6.80</u>	<u>10.90</u>	<u>6.80</u>
Subtotal		55.33	\$ <u>72.33</u>	55.33
<u>Costs Not Subject to Standards:</u>				
Utilities		2.02		2.02
Special Services		-		-
Medical Supplies & Oxy.		4.14		4.14
Taxes and Insurance		.90		.90
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>62.39</u>		62.39
Inflation Factor (3.60%)				2.25
Cost of Capital				6.23
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.18
Cost Incentive				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.73)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$72.87</u>

RIDGELAND NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning December 1, 1998
AC# 3-RDL-J7

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Utilities		2.02		2.02
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Cost of Capital				6.23
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.18
Cost Incentive				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.73)
CNA Add On				.75
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$73.62</u>

RIDGELAND NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-RDL-J7

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,073,238	\$ -	\$ 8,994 (1) 398 (1)	\$1,063,846
Dietary	258,567	-	1,196 (1)	257,371
Laundry	55,363	-	210 (1)	55,153
Housekeeping	133,449	2,133 (3)	1,113 (1) 2,241 (4)	132,228
Maintenance	48,296	756 (3)	127 (1) 798 (4)	48,127
Administration & Medical Records	217,809	290 (1) 531 (3)	62 (1) 567 (4)	218,001
Utilities	64,902	1,017 (3)	1,075 (4)	64,844
Special Services	-	-	-	-
Medical Supplies & Oxygen	132,757	-	102 (1)	132,655
Taxes & Insurance	28,823	442 (3)	450 (4)	28,815
Legal Fees	-	-	-	-
Cost of Capital	200,127	238 (2) <u>632 (3)</u>	646 (4) <u>576 (5)</u>	199,775
Subtotal	2,213,331	6,039	18,555	2,200,815

RIDGELAND NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-RDL-J7

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	14,633	-	-	14,633
Non-Allowable	61,750	11,912 (1)	5,511 (3)	74,504
		5,777 (4)		
		576 (5)		
Total Operating Expenses	<u>\$2,289,714</u>	<u>\$24,304</u>	<u>\$24,066</u>	<u>\$2,289,952</u>
TOTAL BEDS	<u>88</u>	TOTAL PATIENT DAYS		<u>32,076</u>

RIDGELAND NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-RDL-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$11,912	
	Administration	290	
	Nursing		\$ 8,994
	Restorative		398
	Dietary		1,196
	Laundry		210
	Housekeeping		1,113
	Maintenance		127
	Medical Records		62
	Medical Supplies		102
	To adjust pension plan expense and related allocation to allowable HIM-15-1, Section 2304		
2	Fixed Assets	3,471	
	Other Equity	1,137	
	Cost of Capital	238	
	Accumulated Depreciation		4,846
	To adjust fixed assets and related depreciation to allowable State Plan, Attachment 4.19D		
3	Cost of Capital	632	
	Taxes and Insurance	442	
	Administration	531	
	Maintenance	756	
	Utilities	1,017	
	Housekeeping	2,133	
	Nonallowable		5,511
	To reverse DHHS adjustment to remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		

RIDGELAND NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-RDL-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	5,777	
	Cost of Capital		646
	Taxes and Insurance		450
	Administration		567
	Maintenance		798
	Utilities		1,075
	Housekeeping		2,241
	To remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
5	Nonallowable	576	
	Cost of Capital		576
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$28,912</u>	<u>\$28,912</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

RIDGELAND NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-RDL-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	123,057
Accumulated Depreciation at 9/30/97	<u>(714,362)</u>
Deemed Depreciated Value	2,406,767
Market Rate of Return	<u>0.067</u>
Total Annual Return	161,253
Return Applicable to Non-Reimbursable Cost Centers	(2,478)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>6</u>
Allowable Annual Return	158,781
Depreciation Expense	36,359
Amortization Expense	5,505
Capital Related Income Offsets	(224)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(646)</u>
Allowable Cost of Capital Expense	199,775
Total Patient Days (Actual)	<u>32,076</u>
Cost of Capital Per Diem	\$ <u><u>6.23</u></u>

RIDGELAND NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-RDL-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$5.24
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$9.23</u>
Reimbursable Cost of Capital Per Diem	\$6.23
Cost of Capital Per Diem	<u>6.23</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>